



RURAL DEVELOPMENT Vermont/New Hampshire

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Committed to the future of rural communities

GUARANTEE HOUSING NEWS

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GUARANTEE FUNDING PLENTIFUL!!!!

Guarantee Funds are available for your customers. The outlook from our National Office forecasts adequate funding throughout this fiscal year. With the potential carryover over of funds into the next fiscal year there should be minimum to no disruption of funding at the beginning of the new fiscal year (October 2006). Keep your reservations and loan packages coming to Cheryl and Colleen. We want your loan business!

HERE'S A CHALLENGE !

USDA Rural Development will be selecting a "**Lender of the Year**" at the end of our Fiscal Year 2006, September 30, 2006. Last year First Horizon Home Loans in NH and Community National Bank in VT were our Lenders of the Year. We are putting a challenge out to all Guarantee Lenders and want your financial institution to be the next **Lender of the Year**. Increase your RD portfolio dramatically, have a special program to highlight our partnership. We want to highlight your bank as a valued participant in our Guarantee program. It's not too late to make a difference. Let RD know what you're doing to promote RD Guarantees.

NEW GUARANTEE CONDOMINIUM ACCEPTANCE GUIDELINES

The VT/NH jurisdiction will accept for financing those Condominium projects that have been accepted for financing by the Vermont Housing Finance Agency (VHFA) and the New Hampshire Housing Finance Authority (NHHFA). Currently, over 90% of Guaranteed loans and Direct leveraged loans are done with these agencies. This alternative will provide a more streamlined acceptance criterion for participation loans and loan guarantees involved with these agencies, and improve customer service.

To be eligible for a Guarantee Loan the Condominium project needs to meet the following conditions:

- The unit is in a project approved or accepted by Department of Housing and Urban Development (HUD), Veterans Administration (VA), the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), Vermont Housing Finance Agency (VHFA), or the New Hampshire Housing Finance Authority (NHHFA).
- At least 70% of the units have been sold to individual households, or if approved by an HFA, the HFA limits the number of their loans in a particular project to no more than 30%. For smaller projects, the HFA's can allow an exception up to 50%. RD Loan Guarantees will follow these same guidelines in condominium projects.
- Multiple purchases of condominium units by one single investor/owner are counted as one sale when determining the percentage of units sold in the condominium project.
- No more than 15% of the unit owners are more than 1-month delinquent in payment of home-owners association dues or assessments at the time the Rural Development loan is closed.
- The Condominium project complies with the requirements of the State of Vermont or New Hampshire condominium enabling statutes and all other applicable laws. Any right of first refusal in the condominium/townhouse documents will not impair the rights of Rural Development to:
 - Foreclose or take title to a condominium unit pursuant to the remedies in the mortgage.
 - Accept a deed in lieu of foreclosure in the event of default by the mortgagor.
 - Sell or lease a unit acquired by Rural Development.
- All taxes, assessments and charges that may become liens prior to the first mortgage under local law relate only to the individual condominium unit and not to the condominium project as a whole.
- No provision of the condominium documents gives a unit owner or any other party priority over any rights of Rural Development as first or second mortgagee of the condominium unit pursuant to its mortgage in the case of a payment to the unit owner of insurance proceeds or condemnation awards for losses to or taking of condominium units or common elements.
- The property must be contiguous to and have direct access from a street, road or driveway. Streets and roads must be hard surfaced or all weather surfaces and must be town owned and maintained or have a homeowners association in place that does the upkeep and maintenance of the roadways year round.
- All common areas are owned and maintained by the Homeowners Association for more than 1 year unless a temporary waiver is approved by the HFA or Rural Development for new projects.
- If the condominium project is on a leasehold, the underlying lease must provide adequate security of tenure.
- The property on which the loan is made must be located in a designated rural area.

In summary, for Guaranteed loans, Lenders should provide a self-certification to RD that the project meets the standards of either HUD, VA, Fannie Mae, Freddie Mac, or the State HFA criteria in a format similar to Exhibit A (see attachment below).

Exhibit A**Condominium Certification**

This warranty certifies the dwelling served by the homeowners association and identified below has been approved or accepted by HUD, VA, Fannie Mae, Freddie Mac, New Hampshire Housing Finance Agency, or the Vermont Housing Finance Agency. Documentation supporting this certification will be maintained in the lender's files and will be available for inspection by Rural Housing Service, United States Department of Agriculture upon Request.

Borrower: _____

Property Address: _____

Lender: _____

Representative Name: _____

Representative Signature: _____

Date: _____

"HOME ENERGY ADVANTAGE PILOT" PROGRAM AVAILABLE

Rural Development has unveiled the new "Home Energy Advantage" pilot program. The program is for New Construction or Existing Homes that meet or will be retrofitted to meet International Energy Conservation Code "IECC" 2000 code or higher. Under the program qualifying ratios (both front and back end) can be bumped up to two percentage points if an energy efficient home is being purchased. Eligible RD Guarantee applicants will receive increased flexibility if they are purchasing a newer home that is energy efficient. In some cases applicants may be able to afford a larger loan amount due to the qualifying flexibility because lower utility costs associated with newer homes equate to more income that can be applied to mortgage and other debt payment in a given month. In the Guarantee program, a lender may expand ratios for new construction without seeking an exception from the agency provided they follow the new construction guidance for certifying plans and specifications.

Effective immediately, all homes that are built to meet the 2000 International Energy Conservation Code (IECC) or a subsequent comparable code are considered energy efficient and eligible for the two percentage point increase in the qualifying ratios. In Vermont and NH—all new homes being built that have plan certifications will meet the minimum threshold and you can bump the repayment affordability ratios if necessary as Vermont has adopted the IECC 2000 code and NH has adopted the 2003 code.

The Pilot is slated for 18 months and may be extended.

If you have any questions about the program, please contact Colleen in the Concord Area Office or Cheryl in the St. Johnsbury Area Office.

NEW Form 1980-21 Request for Single Family Housing Guarantee Available

In June our staff notified Lenders of a revised Form 1980-21 "Request for Single Family Housing Guarantee". This form formally removed the need to submit Forms AD 1047 & 1048 Debarment forms as they have been incorporated into the new 1980-21 form. We encourage all Lenders to use the new form and have attached the web link for this form.

<http://www.rurdev.usda.gov/regs/forms/1980-21.pdf> . This site will provide you access to all nationally used RD forms.

LENDER TRAINING AVAILABLE

The RD Staff is available to give hands on training to your staff on request. We would be pleased to come to your site and provide customized training to meet your institution's needs enabling you to originate more RD Guarantee loans. In the past this has been an effective way to meet a Lender's training requirements. This type of training is most beneficial to new originators unfamiliar with the RD product or seasoned staff requiring an update or refresher. Let us know your needs. Colleen from Concord NH Area Office and Cheryl or Steve from St Johnsbury VT Area office are available to help your staff in any way. Give them a call or e-mail them.

RURAL DEVELOPMENT IS AN EQUAL OPPORTUNITY LENDER, PROVIDER AND EMPLOYER. COMPLAINTS OF DISCRIMINATION SHOULD BE SENT TO: USDA, DIRECTOR, OFFICE OF CIVIL RIGHTS,